

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: Thornapple Manor Medical Care Facility	County Barry
Audit Date December 31, 2005	Opinion Date March 2, 2006	Date Accountant Report Submitted To State: March 31, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address 750 Trade Centre Way, Suite 300	City Portage	State MI	ZIP 49002
Accountant Signature 			

# **Thornapple Manor**

---

**Financial Report  
with Additional Information  
December 31, 2005**

# Thorneapple Manor

---

## Contents

<b>Report Letter</b>	<b>I</b>
<b>Financial Statements</b>	
Balance Sheet	2
Statement of Revenue, Expenses, and Changes in Net Assets	3
Statement of Cash Flows	4-5
Notes to Financial Statements	6-13
<b>Additional Information</b>	<b>14</b>
<b>Report Letter</b>	<b>15</b>
Schedule of Net Service Revenue	16
Schedule of Operating Expenses	17



Plante & Moran, PLLC

Suite 300  
750 Trade Centre Way  
Portage, MI 49002  
Tel: 269.567.4500  
Fax: 269.567.4501  
plantemoran.com

## Independent Auditor's Report

To the To the Barry County Department  
of Human Services Board  
Thornapple Manor

We have audited the accompanying balance sheet of Thornapple Manor (a component unit of Barry County) as of December 31, 2005 and 2004 and the related statements of revenue, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Facility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Thornapple Manor at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Plante & Moran, PLLC*

March 2, 2006



A worldwide association of independent accounting firms

# Thorneapple Manor

## Balance Sheet

	December 31, 2005	December 31, 2004
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 2)	\$ 1,276,499	\$ 423,426
Resident accounts receivable (Note 3)	436,810	740,355
Taxes receivable	338,789	1,227,681
Other current assets	59,032	45,135
Total current assets	2,111,130	2,436,597
<b>Assets Limited as to Use</b> (Note 2)	4,335,711	4,697,191
<b>Property and Equipment</b> (Note 4)	3,739,415	3,174,877
Total assets	<u>\$ 10,186,256</u>	<u>\$ 10,308,665</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 478,204	\$ 266,471
Current portion of long-term debt (Note 5)	125,000	125,000
Patient trust liability	13,087	15,605
Estimated third-party payor settlements	432,426	521,296
Accrued liabilities and other:		
Accrued compensation and related liabilities	513,966	491,970
Deferred revenue - Property taxes	338,789	1,227,681
Deferred revenue - Proportionate share program	-	35,503
Other accrued liabilities	20,525	42,728
Total current liabilities	1,921,997	2,726,254
<b>Long-term Debt</b> (Note 5)	1,850,000	1,975,000
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	1,764,415	1,074,877
Unrestricted	4,649,844	4,532,534
Total net assets	6,414,259	5,607,411
Total liabilities and net assets	<u>\$ 10,186,256</u>	<u>\$ 10,308,665</u>

# Thorneapple Manor

## Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended December 31	
	2005	2004
<b>Operating Revenue</b>		
Net service revenue	\$ 8,517,806	\$ 8,438,144
Other operating revenue	373,418	426,289
Proportionate share reimbursement	215,314	271,998
Total operating revenue	9,106,538	9,136,431
<b>Operating Expenses</b>		
Salaries	5,245,428	5,048,200
Other expenses	4,245,623	4,060,612
Total operating expenses	9,491,051	9,108,812
<b>Operating (Loss) Income</b>	(384,513)	27,619
<b>Other Income (Loss)</b>		
Interest income	123,459	62,094
Gain (loss) on sale of property	(24,266)	(22,089)
Contributions	456	799
Tax revenue	1,210,000	1,142,882
Interest expense	(118,288)	(119,945)
Total other income (loss)	1,191,361	1,063,741
<b>Increase in Net Assets</b>	806,848	1,091,360
<b>Net Assets - Beginning of year</b>	5,607,411	4,516,051
<b>Net Assets - End of year</b>	<b>\$ 6,414,259</b>	<b>\$ 5,607,411</b>

# Thorneapple Manor

## Statement of Cash Flows

	Year Ended	
	December 31, 2005	December 31, 2004
<b>Cash Flows from Operating Activities</b>		
Cash received from residents and third-party payors	\$ 8,732,481	\$ 8,364,032
Cash received from other operating revenue	373,418	426,289
Cash received from proportionate share program	179,811	230,371
Cash paid to employees and suppliers	(9,053,422)	(8,811,117)
Net cash provided by operating activities	232,288	209,575
<b>Cash Flows from Noncapital Financing Activities</b>		
Contributions	456	798
Cash received from property tax levy	1,210,000	1,142,882
Net cash provided by noncapital financing activities	1,210,456	1,143,680
<b>Cash Flows from Investing Activities</b>		
Patient trust deposits (withdrawals)	(2,518)	57
Interest received	123,459	62,094
Sale (purchase) of assets limited as to use	361,480	(817,482)
Net cash provided by (used in) investing activities	482,421	(755,331)
<b>Cash Flows from Capital and Related Financing Activities</b>		
Principal payments on long-term debt	(125,000)	(100,000)
Interest paid on long-term debt	(118,288)	(119,945)
Purchase of property and equipment	(828,804)	(214,758)
Net cash used in capital and related financing activities	(1,072,092)	(434,703)
<b>Net Increase in Cash and Cash Equivalents</b>	853,073	163,221
<b>Cash and Cash Equivalents - Beginning of year</b>	423,426	260,205
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 1,276,499</b>	<b>\$ 423,426</b>

# Thorneapple Manor

## Statement of Cash Flows (Continued)

	Year Ended	
	December 31, 2005	December 31, 2004
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>		
Operating (loss) income	\$ (384,513)	\$ 27,619
Adjustments to reconcile operating (loss) income to net cash from operating activities:		
Depreciation	239,999	227,244
Provision for bad debts	51,701	24,508
Changes in assets and liabilities:		
Decrease (increase) in resident accounts receivable	251,844	(200,264)
Decrease (increase) in property tax receivable	888,892	(36,046)
Decrease (increase) in prepaids and other current assets	(13,897)	87,780
Increase (decrease) in accounts payable	211,733	(8,658)
Increase (decrease) in other accrued expenses	(206)	(8,671)
Decrease in deferred revenue	(35,503)	(41,627)
Increase (decrease) in deferred property tax revenue	(888,892)	36,046
Increase (decrease) in third-party settlements	(88,870)	101,644
Net cash provided by operating activities	<u>\$ 232,288</u>	<u>\$ 209,575</u>

There were no significant noncash investing, capital, and financing activities for 2005 and 2004.



# Thorneapple Manor

---

## Notes to Financial Statements December 31, 2005 and 2004

### Note 1 - Nature of Business and Significant Accounting Policies

Thorneapple Manor (the "Facility") is a component unit of the County of Barry, Michigan. The Facility is a 138-bed, long-term care facility owned and operated by Barry County. It is governed by the Barry County Department of Human Services Board. This board consists of three members, two of whom are appointed by the County Board of Commissioners and one appointed by the Michigan governor. Further, the County Board of Commissioners approves the Facility's revenue and expenses as a line item in the County budget.

The accounting policies of the Facility conform to accounting principles generally accepted in the United States of America as applicable to local governmental units. Because the Facility provides a service to citizens that is financed primarily by a user charge, the Facility uses Enterprise Fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

**Enterprise Fund Accounting** - The Facility uses Enterprise Fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Facility has not elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**Basis for Presentation** - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. The Facility follows the "business-type" activities reporting requirements of GASB Statement No. 34, which provides a comprehensive look at the Facility's financial activities.

**Cash and Cash Equivalents** - Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

**Assets Limited as to Use** - Assets limited as to use consist of funds designated by the board for future capital purchases.

**Property and Equipment** - Property and equipment amounts are recorded at cost. Donated property and equipment are recorded at the estimated fair market value at the time of donation. Depreciation on fixed assets is charged as an expense against the operations on a straight-line basis over the estimated useful lives of the fixed assets.

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Sick and Vacation Pay** - Compensated absences are charged to operations when earned. Unused benefits are recorded as a current liability in the financial statements.

**Patient Trust Liability** - The State Department of Treasury requires facilities to administer and account for monies of the patients. The patients' trust liability on the balance sheet represents patient trust fund deposits.

**Taxes Receivable/Deferred Taxes Revenue** - Taxes are levied on December 1 and payable by February 15. The cities and townships within the County bill and collect the property taxes for the County. County property tax revenue is recognized when levied. Deferred property taxes are amounts levied at December 1 of the current year, but applied to future operations. In 2005, voters of Barry County approved a levy annually sufficient to pay for the interest and principal on the bonds to be issued in 2006. The levy will remain in effect over the life of the bonds.

**Maintenance of Effort** - Maintenance of Effort (M.O.E.) is a County obligation to the State of Michigan. Every month, the County receives a bill from the State of Michigan for each Medicaid resident day approved by the State during that month. M.O.E. is being paid by the Facility and is recorded in operating expenses. M.O.E. expense amounted to \$202,413 and \$220,940 for the years ended December 31, 2005 and 2004, respectively.

**Proportionate Share Reimbursement Program** - During the years ended December 31, 2005 and 2004, the Facility participated in this program sponsored by the State of Michigan.

In 2005, one transaction was completed and recorded in revenue in relation to the State fiscal year ended September 30, 2005.

In 2004, two transactions were completed. The first transaction in September was recorded in revenue in relation to the State fiscal year ended September 30, 2004. The second transaction in October was for the State fiscal year ended September 30, 2005 and therefore was recognized one quarter in revenue and three quarters in deferred revenue. The first transaction included an amount equal to approximately 3 percent of the annual Medicaid reimbursement in lieu of the normal administrative adjustment or inflation factor.

**Net Assets** - Net assets of the Facility are classified in two components. Net assets invested in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets, net of related debt, or restricted.

### Note I - Nature of Business and Significant Accounting Policies (Continued)

**Service Revenue** - The Facility's principal activity is operating a long-term health care facility for the elderly. Revenue is derived from participation in the Medicaid and Medicare programs, as well as from private pay residents. Amounts earned under the Medicaid and Medicare programs are subject to review and audit by the third-party payors, and make up a significant portion of revenue earned during each year, as follows:

	2005	2004
Medicaid	74 %	77 %
Medicare	15 %	12 %

The payment methodology related to these programs is based on cost and clinical assessments that are subject to review and final approval by Medicaid and Medicare. Any adjustment that is a result of this final review and approval will be recorded in the period in which the adjustment is made. In the opinion of management, adequate provision has been made for any adjustments that may result from such third-party review.

Medicaid reimburses the Facility for resident routine service costs, on a per diem basis, prospectively determined. Services rendered to Medicare program beneficiaries are paid at prospectively determined rates based upon clinical assessments completed by the Facility that are subject to review and final approval by Medicare.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes they are in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoings. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

**Operating Revenues and Expenses** - The Facility's statement of revenue, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Facility's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Nonexchange revenues, including taxes, interest, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Interest expense is reported as a nonoperating expense.

# Thorneapple Manor

## Notes to Financial Statements December 31, 2005 and 2004

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Note 2 - Deposits and Investments

The Facility's deposits and investments are composed of the following:

	2005		2004	
	Cash and Cash Equivalents	Assets Limited as to Use	Cash and Cash Equivalents	Assets Limited as to Use
Deposits:				
County Treasurer	\$ 1,247,412	\$ 4,335,711	\$ 398,735	\$ 4,697,191
Bank	28,937	-	23,605	-
Petty cash	150	-	1,086	-
Total	<u>\$ 1,276,499</u>	<u>\$ 4,335,711</u>	<u>\$ 423,426</u>	<u>\$ 4,697,191</u>

**Deposit - County Treasurer** - These funds were under the control of the County Treasurer, who deposited these funds with a bank.

**Deposits - Bank** - The deposits are reflected in the accounts of the bank (without recognition of checks written, but not yet cleared, or of deposits in transit).

**Assets Limited as to Use** - The assets limited as to use are funds designated by Barry County Department of Human Services Board for future capital purchases.

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrument of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

# Thorneapple Manor

## Notes to Financial Statements December 31, 2005 and 2004

### Note 2 - Deposits and Investments (Continued)

The Facility's deposits and investments are subject to several types of risks including custodial credit risk of bank deposits and investments, interest rate risk, credit risk, and concentration of credit risk. It is impractical to determine the amount of risk associated with the Facility's funds as these funds are only a portion of the total County deposits.

### Note 3 - Resident Accounts Receivable

The details of resident accounts receivable are set forth below:

	2005	2004
Resident accounts receivable	\$ 650,656	\$ 754,855
Uncollectible accounts	(75,000)	(75,000)
Medicaid interim payment (advance) receivable	(138,846)	60,500
Net resident accounts receivable	\$ 436,810	\$ 740,355

The Facility provides services without collateral to its residents, most of whom are local residents and insured under third-party payor agreements. The mix of receivables from residents and third-party payors is as follows:

	2005	2004
Medicare	29 %	29 %
Medicaid	60 %	57 %
Other payors	11 %	14 %
Total	100 %	100 %

# Thorneapple Manor

## Notes to Financial Statements December 31, 2005 and 2004

### Note 4 - Property and Equipment

Cost of property and equipment and related depreciable lives for December 31, 2005 are summarized below:

	2004	Additions	Retirements	2005	Depreciable Life - Years
Land and land improvements	\$ 178,474	\$ 10,550	\$ (10,521)	\$ 178,503	5-25
Building	5,105,307	454,749	(40,270)	5,519,786	10-40
Equipment	1,405,141	6,330	(100,278)	1,311,193	5-25
Construction in progress	173,880	357,175	-	531,055	
Total	6,862,802	828,804	(151,069)	7,540,537	
Less accumulated depreciation:					
Land and land improvements	119,992	4,851	(10,521)	114,322	
Building	2,631,526	155,349	(29,904)	2,756,971	
Equipment	936,407	79,799	(86,377)	929,829	
Total	3,687,925	239,999	(126,802)	3,801,122	
Net carrying amount	\$ 3,174,877	\$ 588,805	\$ (24,267)	\$ 3,739,415	

Cost of capital assets and related depreciable lives for December 31, 2004 are summarized below:

	2003	Additions	Retirements	2004	Depreciable Life - Years
Land and land improvements	\$ 178,592	\$ -	\$ (118)	\$ 178,474	5-25
Building and improvements	5,718,826	-	(613,519)	5,105,307	10-40
Equipment	1,859,953	40,878	(495,690)	1,405,141	5-25
Construction in progress	-	173,880	-	173,880	
Total	7,757,371	214,758	(1,109,327)	6,862,802	
Less accumulated depreciation:					
Land and land improvements	113,830	6,280	(118)	119,992	
Building and improvements	3,094,767	137,713	(600,954)	2,631,526	
Equipment	1,339,322	83,251	(486,166)	936,407	
Total	4,547,919	227,244	(1,087,238)	3,687,925	
Net carrying amount	\$ 3,209,452	\$ (12,486)	\$ (22,089)	\$ 3,174,877	

During 2005, the voters of Barry County approved a tax levy to pay principal and interest on bonds to be issued in 2006 to renovate the Facility. The total estimated cost of the project is approximately \$19 million. To pay for these renovations, bonds not to exceed \$18,850,000 will be issued in 2006 and Facility assets will be utilized for the remaining costs. At December 31, 2005, the Facility has signed commitments relating to this project of approximately \$13,800,000.

# Thorneapple Manor

## Notes to Financial Statements December 31, 2005 and 2004

### Note 5 - Long-term Debt

Long-term liability activity for the year ended December 31, 2005 was as follows:

	<u>2004</u>	<u>Current Year Additions</u>	<u>Current Year Reductions</u>	<u>2005</u>	<u>Amounts Due Within One Year</u>
Bonds Payable - Barry County Building Authority	<u>\$ 2,100,000</u>	<u>\$ -</u>	<u>\$ (125,000)</u>	<u>\$ 1,975,000</u>	<u>\$ 125,000</u>

Long-term liability activity for the year ended December 31, 2004 was as follows:

	<u>2003</u>	<u>Current Year Additions</u>	<u>Current Year Reductions</u>	<u>2004</u>	<u>Amounts Due Within One Year</u>
Bonds Payable - Barry County Building Authority	<u>\$ 2,200,000</u>	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ 2,100,000</u>	<u>\$ 125,000</u>

In accordance with an agreement entered into in 1994, by and between the Barry County Building Authority and Barry County, the County is leasing the improvements and additions made to Thorneapple Manor financed by the Authority. The lease period extends through the year 2017, at which time the Authority shall convey ownership of the property to the County. The principal payments range from \$125,000 due in 2006 to \$225,000 due in 2017. The interest rates on the outstanding bonds range from 5.2 percent to 6.0 percent at December 31, 2005. The Facility is accounting for these transactions as if they were direct obligations of the Facility.

The following is a schedule by years of bond principal and interest as of December 31, 2005:

<u>Year Ending December 31</u>	<u>Bond Payable</u>	<u>Bond Interest</u>
2006	\$ 125,000	\$ 114,975
2007	125,000	108,225
2008	125,000	101,350
2009	150,000	94,350
2010	150,000	85,800
2011-2015	875,000	289,300
2016-2017	<u>425,000</u>	<u>39,000</u>
Total payments	<u>\$ 1,975,000</u>	<u>\$ 833,000</u>

# Thorneapple Manor

## Notes to Financial Statements December 31, 2005 and 2004

### Note 6 - Endowment Fund Held by Third Party

The Facility is the beneficiary of a trust, which is maintained by an outside trustee, the Barry Community Foundation. The balance in the trust, which is not accounted for in the Facility's records, was approximately \$61,000 and \$55,000 at December 31, 2005 and 2004, respectively. Approximately \$45,000 of this balance is available for distribution to the Facility.

### Note 7 - Risk Management

The Facility is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees.

The Facility, as part of the County, participates in the Michigan Municipal Risk Management Authority (risk pool) for claims relating to general and auto liability (including medical malpractice), auto physical damage, and property loss claims. The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for the losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims to the retention limits, the ultimate liability for those claims remains with the County.

The Facility is insured for the workers' compensation claims via a policy with a commercial carrier.

The Facility is insured against potential professional liability claims under an occurrence-basis policy, whereby all claims resulting from incidents that occur during the policy period are covered up to insured limits, regardless of when the claims are reported to the insurance carrier. There are no known outstanding or pending claims at December 31, 2005.

The Facility, as part of the County, is self-insured for the employees' medical benefit claims. The Facility estimates the liability (included in accrued liabilities) for employee medical benefit claims through the end of the fiscal year, including claims that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	2005	2004
Estimated liability - Beginning of year	\$ -	\$ 75,000
Estimated claims incurred, including changes in estimates	929,717	878,535
Payments made	(929,717)	(953,535)
Estimated liability - End of year	\$ -	\$ -



## **Additional Information**

---



**Plante & Moran, PLLC**

Suite 300  
750 Trade Centre Way  
Portage, MI 49002  
Tel: 269.567.4500  
Fax: 269.567.4501  
plantemoran.com

To the Barry County Department of Human  
Services Board  
Thornapple Manor

We have audited the financial statements of Thornapple Manor as of December 31, 2005 and 2004. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of net service revenue and operating expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

March 2, 2006

A member of



A worldwide association of independent accounting firms

# Thorneapple Manor

## Schedule of Net Service Revenue

	Year Ended December 31	
	2005	2004
<b>Skilled Nursing Services</b>		
Daily room revenue:		
Medicaid	\$ 5,934,093	\$ 6,253,486
Medicare	1,213,302	980,757
Private pay and other	889,488	865,631
Total daily room revenue	8,036,883	8,099,874
Ancillary revenue:		
Pharmacy	275,142	229,352
Therapy services	952,003	756,874
Other ancillary services	118,489	98,644
Total ancillary revenue	1,345,634	1,084,870
Total skilled nursing services revenue	9,382,517	9,184,744
Revenue deductions:		
Provision for contractual discounts	(813,010)	(722,092)
Bad debt expense	(51,701)	(24,508)
Total revenue deductions:	(864,711)	(746,600)
<b>Net Service Revenue</b>	<b>\$ 8,517,806</b>	<b>\$ 8,438,144</b>

# Thorneapple Manor

## Schedule of Operating Expenses

	Year Ended December 31			
	2005			2004
	Salaries	Other	Total	Total
Fringe benefits	\$ -	\$ 1,992,165	\$ 1,992,165	\$ 1,931,891
Administration	513,579	232,435	746,014	676,118
Plant operations	85,888	290,051	375,939	376,673
Laundry	235,279	35,031	270,310	274,367
Housekeeping	262,700	54,510	317,210	268,502
Dietary	490,290	423,390	913,680	904,787
Medical records	-	12,000	12,000	12,000
Diversional therapy	124,090	19,092	143,182	132,309
Other ancillary services	-	-	-	16,059
Therapy services	303,049	41,520	344,569	299,420
Pharmacy	-	244,262	244,262	197,392
Nursing	3,099,985	456,107	3,556,092	3,456,842
Other services	-	1,786	1,786	24,652
Inservice education	110,923	862	111,785	64,896
Nurse aide testing	19,645	-	19,645	24,720
Depreciation and amortization	-	239,999	239,999	227,244
Maintenance of effort	-	202,413	202,413	220,940
2005 totals	<b>\$ 5,245,428</b>	<b>\$ 4,245,623</b>	<b>\$ 9,491,051</b>	
2004 totals	<b>\$ 5,048,200</b>	<b>\$ 4,060,612</b>		<b>\$ 9,108,812</b>